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## **California Use Tax and Purchases Made in Foreign Countries**

The information contained in this notice responds to numerous inquiries about the requirement for consumers to pay California use tax on purchases made in foreign countries. California residents returning from abroad may owe use tax on items purchased in foreign countries and brought home for use in California, such as clothing, jewelry, or furnishings. This notice contains several frequently asked questions and responses to assist you and your clients in determining if California use tax applies to purchases made while traveling in a foreign country.

### **What is “use tax?”**

“Use tax,” a companion to the sales tax, is generally assessed on the use of goods (e.g., jewelry, clothing, furnishings, and other tangible personal property) purchased outside of the state and brought into California for use in this state. The rate of use tax is the same as the sales tax rate in the county in which the consumer resides and is applied on the purchase price measured in United States (U.S.) dollars.

### **Why is the California State Board of Equalization (BOE) involved in collecting taxes on purchases made outside the United States?**

The BOE is the state agency that administers California’s sales and use tax program. As such, the BOE is authorized to audit U.S. Customs declarations the traveler fills out and reports to Customs upon first entry into the U.S. Therefore, after clearing Customs, the BOE may send a use tax return for tax due on the merchandise reported on the Customs declaration. The amount of use tax owed will be based on the purchase price of goods listed on the declaration.

## **What foreign purchases are exempt from use tax?**

The following are not subject to the use tax:

- The first \$400 per person of tangible personal property hand-carried into this state from a foreign country and reported on a single declaration. This exemption may be used only once within any 30-day period.
- Any merchandise purchased for resale provided that the purchaser can substantiate that (1) he or she has resold or will resell the merchandise, and (2) no personal use has been or will be made of the items, other than demonstration or display.
- Items purchased for use outside California provided that the purchaser can substantiate that (1) the ultimate destination and use will be outside this state, (2) no use of the items occurred in California before they reached their ultimate destination, and (3) once the items are used outside California, the items do not return to California for at least six months.  
PLEASE NOTE: If, upon your return to California, you ship a gift by common carrier to a recipient outside California, you have made a taxable use of the property in this state.
- Foreign purchases (other than vehicles, vessels, or aircraft) used outside of California for more than 90 days before entering this state. The purchaser must be able to substantiate the date of purchase and provide a copy of a passport stamp to verify the beginning date of the use of the property outside California. (For information concerning the application of tax to vehicles, vessels, or aircraft purchased abroad and brought into California, please contact the BOE, as explained below.)
- Gifts received by the traveler while abroad. If questioned, the traveler must provide a signed letter from the donor describing the gift and verifying that the donor did not receive anything of value for the item. PLEASE NOTE: You are the consumer of items you purchased to give as gifts, and you owe use tax on your cost of the merchandise.
- Purchases of food products for human consumption, prescription eyeglasses, or any other items the use of which does not currently subject non-business consumers to California tax.

## **How does a traveler report use tax?**

Use tax can be reported annually using the California income tax return or by filling out the use tax return which can be found in the BOE's Publication 79-B, *California Use Tax*. (To obtain a copy of this publication, see the information provided below.)

## **Do federal import duties or taxes affect California sales or use tax?**

Federal import duties or taxes are imposed by federal statute and have no bearing on the application of California sales or use tax. Certain items are exempt from federal duty but are subject to California use tax, such as books. In contrast, there are items subject to federal duty but exempt from California sales and use tax, such as food products and prescription medicines.

**Publications Available from the California State Board of Equalization:**

Form BOE-39 (6-97), *Purchases You Make in Foreign Countries May Be Subject to Use Tax*

BOE Publication #79-B, *California Use Tax*

BOE Publication #110, *California Use Tax Basics*

BOE Publication #112, *Purchases from Out-of-State Vendors*

BOE Publication #71, *California City and County Sales and Use Tax Rates*

Copies of publications and forms and other information are available on the Internet at:  
[www.boe.ca.gov](http://www.boe.ca.gov) or by calling the Board of Equalization Information Center toll-free at  
1-800-400-7115.